

## Internal Revenue Service

## Department of the Treasury

Date:

Taxpayer Identification Number:

Name of Plan:

Plan Number:

Tax Period Ending:

Person to Contact/ID Number:

Contact Telephone Number:

Contact Fax Number:

E-mail Address:

Return Reply to:

Dear Sir or Madam:

This letter is being sent to you because our records show you maintained a defined contribution plan in which life insurance was purchased. This information was based on your Form 5500; Schedule A, *Annual Return/Report of Employee Benefit Plan, Insurance Information*, which indicated the plan had insurance premiums.

This letter constitutes a compliance check. A compliance check is not an audit or investigation under section 7605(b) of the Internal Revenue Code (IRC) or an audit under section 530 of the Revenue Act of 1978. This compliance check is to verify that your plan was in compliance with the requirements for purchasing life insurance.

Certain requirements must be met when insurance is purchased in a qualified plan including all of the following:

1. Proper reporting of premiums on Form 5500, Schedule A
2. Proper reporting of death benefits on Form 5500, Schedule A
3. The insurance must be incidental to the primary purpose of providing retirement benefits (Income Tax Regulations sections 1.401-1(b)(1)(i) and (ii))

When requirements for purchasing insurance are not met, it is possible:

1. For death benefits to be excessive
2. To violate the incidental benefit rule
3. For the actual amount of insurance purchased to be underreported resulting in abusive tax avoidance
4. For prohibited discrimination in favor of highly compensated employees to occur

Please provide the information and documentation described in the attached Request for Information within 15 days from the date of this letter. Failure to provide this information could result in further action or examination of your plan.

You may also furnish any other documents, insurance, or clarifying materials that you believe will be helpful for us to review. If you would like someone else to represent the plan during the compliance check, you must submit a written power of attorney. Form 2848, *Power of Attorney and Declaration of Representative*, may be used for this purpose.

You may obtain additional information about the Employee Plans Compliance Unit, compliance checks, our current compliance projects, and a list of frequently asked questions by visiting our website at [www.irs.gov/ep](http://www.irs.gov/ep). If you have any questions, please feel free to contact me at the telephone number shown above or e-mail us and we will be glad to answer any questions you have about the Schedule A Project and how it relates to your situation.

Thank you for your cooperation.

Sincerely,

Enclosure:  
Request for Information